

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 12, 2011
POSITION: Oppose
SPONSOR: California State Controller

BILL NUMBER: AB 597
AUTHOR: M. Eng
RELATED BILLS: AB 2457 (2010) and
AB 2123 (2008)

BILL SUMMARY: California Financial Literacy Fund

This bill would do the following:

- Establish the California Financial Literacy Fund ("CFLF" or "fund") and require the State Controller's Office ("SCO") to administer the fund for the purpose of improving the financial literacy of Californians;
- Authorize the SCO to deposit private donations into the CFLF;
- Require the SCO, beginning in 2013, to provide an annual report to the Legislature on the use of any appropriations from CFLF.

FISCAL SUMMARY

According to the SCO, their costs associated with implementation of this bill are minor and absorbable. However, Finance is concerned that the SCO may need to redirect resources from other programs if their actual costs turn out to be more than just minor and absorbable.

COMMENTS

The bill indicates its intent is to improve the financial literacy of Californians; however, Finance opposes this bill for the following reasons:

- The amended version of the bill does not contain the previously included stipulation that state agencies in the executive branch shall use existing resources to participate in the CFLF advisory committee, to the extent they elect to participate. Deletion of this provision has opened the door for an agency to be able to ask for an appropriation from the General Fund for support costs associated with work on the CFLF advisory committee. This bill would put additional pressure on the General Fund at a time when General Fund resources are still extremely scarce.
- This bill is unnecessary because it would duplicate existing services.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the original version do not alter our position. They include the following:

- Donations to the CFLF can now be accepted from entities with direct financial interests in financial products; however, donations to the CFLF cannot be used to promote or market the financial products of any contributor to the CFLF;
- Donations to the CFLF that are not appropriated within 18 months of being donated shall be returned in full to the entity that made the donation;
- Declaration of legislative intent that donations to the CFLF are made for a public purpose and should be eligible to be claimed as tax deductible charitable contributions to the extent otherwise allowable under federal income tax law and California income tax and franchise tax law;

Analyst/Principal	Date	Program Budget Manager	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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- Declaration of legislative intent that the tax deductibility status of donations to the CFLF would not apply to any donations subsequently returned to the contributor by the state;
- Deletion of the provision requiring any state agency, board, commission, or constitutional officer participating in the activities of the CFLF advisory committee to use existing resources.

ANALYSIS

A. Programmatic Analysis

In addition to establishing the CFLF, this bill would do the following:

- Prohibit the use of CFLF donations to promote or market the financial products of any contributor;
- Require that funds in the CFLF be available for expenditure upon appropriation in the annual Budget Act;
- Require that a donation into the fund be returned to its contributor if that donation is not appropriated within 18 months of its donation;
- Declare the Legislature's intent that contributions to the CFLF should be eligible to be claimed as tax deductible charitable contributions to the extent otherwise allowable under federal and state law;
- Authorize the SCO to convene an advisory committee to provide oversight of the fund and to develop strategies for improving the financial literacy of California's citizens;
- Require that, if convened, the CFLF advisory committee comply with the Bagley-Keene Open Meeting Act;

While the goals of the bill are virtuous, there are many other efforts to achieve these goals, and much information on this subject is already available to Californians. For example, the SCO already has a website (Your Finances, Your Future) devoted to financial literacy education for Californians. The federal government has a similar website (mymoney.gov) operated by the Financial Literacy Education Commission that was created by the United States Congress in 2003 and incorporates the efforts of 22 federal agencies.

Both AB 2123 (Lieu, 2008) and AB 2457 (Salas, 2010) would have established the CFLF to improve Californian's financial literacy, but Governor Schwarzenegger vetoed both bills indicating that they were duplicative of existing services. In his veto messages, the Governor cited the example of another state government website created in 2008 (bankoncalifornia.ca.gov) that provides assistance and education to Californians who habitually conduct their financial affairs without the benefit of a checking account, instead relying upon relatively high cost check cashing services.

B. Fiscal Analysis

The bill would require that no expenditure of funds in the CFLF can be made unless the Legislature first makes an appropriation of the funds in the annual Budget Act. The bill also would require that any donation into the fund be returned to its contributor if the donation has not been appropriated by the Legislature within 18 months of its donation.

The bill would establish a new government program to promote financial literacy and state agencies could request General Fund support for their participation in the new financial literacy program. The costs associated with this bill are uncertain and depend upon the programs that would be created by the CFLF advisory committee.

The proposed change in state government policy and programs is inconsistent with the Administration's goals of streamlining government operations, solving the budget structural imbalance through elimination of redundancies, and realignment of government services to the local level to better serve the people of California more efficiently. This bill would add redundant government programs at the state, rather than local level, and likely increase, rather than decrease, the structural imbalance in the California state budget.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
0840/Controller	SO	No	-----	See Fiscal Summary	-----				0001